

NEW ELLENTON NURSING CENTER, INC.
NEW ELLENTON, SOUTH CAROLINA

CONTRACT PERIODS
BEGINNING JULY 1, 1996
AC# 3-NUL-J6

REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 3, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with New Ellenton Nursing Center, Inc., for the contract periods beginning July 1, 1996 and for the nine month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by New Ellenton Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and New Ellenton Nursing Center, Inc. dated as of January 1, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 3, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

NEW ELLENTON NURSING CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning July 1, 1996
AC# 3-NUL-J6

	<u>07/01/96-</u> <u>09/30/96</u>	<u>10/01/96-</u> <u>01/26/97</u>
Interim reimbursement rate (1)	\$80.45	\$80.40
Adjusted reimbursement rate	<u>80.25</u>	<u>80.20</u>
Decrease in reimbursement rate	\$ <u>.20</u>	\$ <u>.20</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 12, 1998

NEW ELLENTON NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period July 1, 1996 Through September 30, 1996
AC# 3-NUL-J6

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.54	\$38.19	\$50.61	\$38.19
Dietary	<u>-</u>	<u>10.36</u>	<u>10.19</u>	<u>10.19</u>
Subtotal	<u>\$3.54</u>	48.55	60.80	48.38
Laundry/Housekeeping/Maint.	\$.41	6.76	7.17	6.76
Administration & Med. Rec.	<u>-</u>	<u>11.48</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$.41</u>	66.79	<u>\$75.55</u>	62.72
<u>Costs Not Subject to Standards:</u>				
Utilities		2.25		2.25
Special Services		.92		.92
Medical Supplies & Oxygen		3.18		3.18
Taxes and Insurance		.74		.74
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$73.88</u>		69.81
Inflation Factor (6.30%)				4.40
Cost of Capital				7.25
Cost of Capital Limitation				(2.71)
Profit Incentive (Max. 3.5% of Allowable Cost)				.41
Cost Incentive - For Gen. Serv. & Dietary				3.54
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(2.45)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$80.25</u>

NEW ELLENTON NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1996 Through January 26, 1997
AC# 3-NUL-J6

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.07	\$38.19	\$43.87	\$38.19
Dietary	<u>.09</u>	<u>10.36</u>	<u>10.45</u>	<u>10.36</u>
Subtotal	<u>\$3.16</u>	48.55	54.32	48.55
Laundry/Housekeeping/Maint.	\$.41	6.76	7.17	6.76
Administration & Med. Rec.	<u>-</u>	<u>11.48</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	<u>\$.41</u>	66.79	<u>\$69.31</u>	63.13
<u>Costs Not Subject to Standards:</u>				
Utilities		2.25		2.25
Special Services		.92		.92
Medical Supplies & Oxygen		3.18		3.18
Taxes and Insurance		.74		.74
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$73.88</u>		70.22
Inflation Factor (4.90%)				3.44
Cost of Capital				7.30
Cost of Capital Limitation				(2.76)
Profit Incentive (Max. 3.5% of Allowable Cost)				.41
Cost Incentive - For Gen. Serv. & Dietary				3.16
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(1.82)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$80.20</u>

NEW ELLENTON NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
For the Contract Period July 1, 1996 Through September 30, 1996
AC# 3-NUL-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$263,916	\$ -	\$ -	\$263,916
Dietary	71,586	-	-	71,586
Laundry	17,466	-	-	17,466
Housekeeping	20,459	-	-	20,459
Maintenance	8,779	-	-	8,779
Administration & Medical Records	79,301	-	-	79,301
Utilities	15,540	-	-	15,540
Special Services	6,386	-	-	6,386
Medical Supplies & Oxygen	23,283	1,752 (2)	3,090 (1)	21,945
Taxes & Insurance	5,105	-	-	5,105
Legal Fees	31	-	-	31
Cost of Capital	<u>45,147</u>	<u>6,159</u> (3)	<u>1,234</u> (4)	<u>50,072</u>
Subtotal	556,999	7,911	4,324	560,586

NEW ELLENTON NURSING CENER, INC.

Summary of Costs and Total Patient Days

For the Cost Report Period Ended September 30, 1996

For the Contract Period July 1, 1996 Through September 30, 1996

AC# 3-NUL-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	1,205	3,090 (1)	-	4,295
Non-Allowable	<u>39,199</u>	<u>1,234</u> (4)	<u>1,752</u> (2)	<u>38,681</u>
Total Operating Expenses	<u>\$597,403</u>	<u>\$12,235</u>	<u>\$6,076</u>	<u>\$603,562</u>

Total Beds 26

Total Patient Days *6,910

*Adjusted to 97% occupancy

NEW ELLENTON NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
For the Contract Period October 1, 1996 Through January 26, 1997
AC# 3-NUL-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$263,916	\$ -	\$ -	\$263,916
Dietary	71,586	-	-	71,586
Laundry	17,466	-	-	17,466
Housekeeping	20,459	-	-	20,459
Maintenance	8,779	-	-	8,779
Administration & Medical Records	79,301	-	-	79,301
Utilities	15,540	-	-	15,540
Special Services	6,386	-	-	6,386
Medical Supplies & Oxygen	23,283	1,752 (2)	3,090 (1)	21,945
Taxes & Insurance	5,105	-	-	5,105
Legal Fees	31	-	-	31
Cost of Capital	<u>45,486</u>	<u>6,159</u> (3)	<u>1,204</u> (5)	<u>50,441</u>
Subtotal	557,338	7,911	4,294	560,955

NEW ELLENTON NURSING CENER, INC.

Summary of Costs and Total Patient Days

For the Cost Report Period Ended September 30, 1996

For the Contract Period October 1, 1996 Through January 26, 1997

AC# 3-NUL-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	1,205	3,090 (1)	-	4,295
Non-Allowable	<u>38,860</u>	<u>1,204</u> (5)	<u>1,752</u> (2)	<u>38,312</u>
Total Operating Expenses	<u>\$597,403</u>	<u>\$12,205</u>	<u>\$6,046</u>	<u>\$603,562</u>

Total Beds 26

Total Patient Days *6,910

*Adjusted to 97% occupancy

NEW ELLENTON NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-NUL-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Ancillary Medical Supplies	\$ 3,090	\$ 3,090
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D		
2	Medical Supplies Nonallowable	1,752	1,752
	To reclassify expenses to the proper cost center State Plan, Attachment 4.19D		
3	Fixed Assets Cost of Capital Accumulated Depreciation Other Equity	52,460 6,159	22,332 36,287
	To adjust fixed assets and related depreciation to allowable State Plan, Attachment 4.19D		
4	Nonallowable Cost of Capital	1,234	1,234
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 7/1/96 - 9/30/96)		
5	Nonallowable Cost of Capital	1,204	1,204
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/1/96 - 1/26/97)		
	TOTAL ADJUSTMENTS	<u>\$65,899</u>	<u>\$65,899</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

NEW ELLENTON NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1996
 For the Contract Period July 1, 1996 Through September 30, 1996
 AC# 3-NUL-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>26</u>
Deemed Asset Value	803,114
Improvements Since 1981	79,920
Accumulated Depreciation at 9/30/96	<u>(143,493)</u>
Deemed Depreciated Value	739,541
Market Rate of Return	<u>0.072</u>
Total Annual Return	53,247
Number of Days in Period	<u>274/366</u>
Adjusted Annual Return	39,863
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	39,863
Depreciation Expense	8,636
Amortization Expense	1,894
Capital Related Income Offsets	(321)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	50,072
Total Patient Days (Minimum 97% Occupancy)	<u>6,910</u>
Cost of Capital Per Diem	\$ <u><u>7.25</u></u>

NEW ELLENTON NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
For the Contract Period July 1, 1996 Through September 30, 1996
AC# 3-NUL-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$.55
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.54</u>
Reimbursable Cost of Capital Per Diem	\$ 4.54
Cost of Capital Per Diem	<u>7.25</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.71)</u>

NEW ELLENTON NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1996
 For the Contract Period October 1, 1996 Through January 26, 1997
 AC# 3-NUL-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>26</u>
Deemed Asset Value	831,298
Improvements Since 1981	79,920
Accumulated Depreciation at 9/30/96	<u>(143,493)</u>
Deemed Depreciated Value	767,725
Market Rate of Return	<u>0.070</u>
Total Annual Return	53,741
Number of Days in Period	<u>274/366</u>
Adjusted Annual Return	40,232
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	40,232
Depreciation Expense	8,636
Amortization Expense	1,894
Capital Related Income Offsets	(321)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	50,441
Total Patient Days (Minimum 97% Occupancy)	<u>6,910</u>
Cost of Capital Per Diem	\$ <u><u>7.30</u></u>

NEW ELLENTON NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
For the Contract Period October 1, 1996 Through January 26, 1997
AC# 3-NUL-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$.55
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.54</u>
Reimbursable Cost of Capital Per Diem	\$ 4.54
Cost of Capital Per Diem	<u>7.30</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.76)</u>